

TOWN OF DAVIE TOWN COUNCIL AGENDA REPORT

TO: Mayor and Councilmembers

FROM/PHONE: Will Allen, Redevelopment Administrator/ (945) 797-2093

PREPARED BY: Will Allen

SUBJECT: Resolution

AFFECTED DISTRICT: District 1, Townwide

TITLE OF AGENDA ITEM: A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA RATIFYING THE RESOLUTION OF THE DAVIE COMMUNITY REDEVELOPMENT AGENCY PROVIDING FOR A DIRECT CASH JOB CREATION INCENTIVE AS AN ECONOMIC DEVELOPMENT INCENTIVE FOR THE EXPANSION OF THE ANDRX CORPORATION'S MANUFACTURING FACILITY AT 4955 ORANGE DRIVE, DAVIE, FLORIDA.

REPORT IN BRIEF: The Town and the CRA have been approached by the Andrx Corporation concerning an upcoming corporate decision slated to be made at a June 4, 2004 meeting of the Board of Directors of Andrx to determine whether to expand its plant at the Davie location or be relocated out of state. The Town and CRA, of course, are very supportive of keeping this company which has made a major investment in Davie and which employs over 600 workers at Davie facilities and over 1000 in the area. Due to the need to be addressed by the Andrx Board of Directors on June 4 and because this was only submitted very recently it is requested that the Town Council review this matter in a expedited fashion at the May 19, 2004 Town Council meeting.

Meetings and conversations have been held with the Broward Alliance, Broward County, the Town of Davie and the CRA to discuss what actions can be taken to assist in the decision to stay and expand in Davie. The new CEO and professional staff of Andrx are supporting a case to remain in Davie. The Town Council is being requested to ratify three of the four resolutions adopted by the CRA at their May 12, 2004 meeting. These actions are important to show support for keeping this facility at this location and encouraging its growth.

The Town of Davie has already adopted Resolution R-2004-84 on April 21, 2004 supporting the expansion of the pharmaceutical manufacturing plant and approving the future application for the QTI program. A copy of that resolution is attached. The

CRA's Resolution R-2004-1 adopted on May 12, 2004 similarly supports the proposed expansion and the application for the QTI Tax Refund Program.

Additionally, actions of the CRA requested by Andrx to assist in making the decision to remain at this location were considered and adopted unanimously at the May 12 meeting. The resolutions adopted by the CRA and for which ratifications are requested by the CRA include agreeing that the CRA will provide the local share of the Qualified Target Industry Tax Refund Program funding, and creating and then providing an additional incentive based on creating jobs at the Davie location. The application for the Florida QTI Program has been submitted to Enterprise Florida, Inc. through the Broward Alliance. A copy of the analysis of the impacts of the proposed expansion prepared by Broward Alliance is included in the backup information along with a copy of the QTI application. It should be noted that other states/communities offer larger incentives but Davie has an advantage of the existing facility.

The proposal is to add 175 employees who manufacture pharmaceuticals. The average wage per job is \$40,000 per year which is greater than 115% of the average wage in Broward County. The average wage is \$33,595 and 115% of that amount is \$38,364. It should be noted that the proposed expansion of the manufacturing facilities will take place within the existing footprint of the building. The corporate office facilities have already been relocated to Plantation.

The QTI Program is an incentive which permits a refund of property tax based on the number of jobs created. The amount of the incentive is \$3,000 per job which is paid out in a period of four years after the jobs are created. In this case the amount of the rebate totals \$525,000 which is \$3,000 times 175 jobs. The State of Florida provides funding for 80% of this tax rebate with the remaining 20% being the local share. In this case, the CRA will be responsible for the entire local share totaling \$105,000. This amount is payable over a six year period as the jobs are phased in over three years. CRA Resolution R-2004-2 authorizes the expenditure of up to \$105,000 as the local match. It should be noted that Broward County has notified us that they will not participate in this program as the subject property is located within the boundary of a CRA. Broward County Ordinance No. 1999-17 concerns economic incentives which improve real and personal property values and which create new jobs. There are several types of incentives listed including the QTI program and a separate jobs creation incentive. Such incentives require a certain return on their investment. Since this site is located within the Davie CRA, the additional ad valorem taxes will be received for the next 23 years by the Davie CRA. Enterprise Florida, Inc. is aware that the local match is proposed to be paid by the CRA and there is no problem with this approach.

Andrx was also seeking to benefit from the job creation incentive program available from Broward County. This program provides an additional \$2,000 per job for each job created. As stated earlier, Broward County is not participating as the Andrx site is

located within the CRA. Normally one-half of the incentive would be paid by Broward County and the other half paid by the municipality in which the company is creating the jobs. The CRA approved a program modeled after the Broward County program by means of Resolution R-2004-3 which utilizes the criteria used by Broward County. Ratification of this resolution is also requested as such an incentive program is a common economic development tool and would have been available to Andrx except for the nonparticipation of Broward County. Other municipalities commonly provide for such incentives. Such an incentive program is consistent with the objectives and goals of the redevelopment plan for the Davie CRA and within the statutory authority in Chapter 163, Florida Statutes.

CRA Resolution R-2004-4 authorizes a cash incentive to Andrx for creating 175 new jobs. The amount of \$350,000 would be paid over a six year period beginning in 2006. The funds are paid after the jobs are created. An agreement will need to be reached between the CRA and Andrx specifying the terms and conditions of the award of the incentive. There was not sufficient time to prepare this agreement but it will provide details such as a means to verify the number of jobs created and the average wage of these jobs. This will be done after the decision is made by Andrx to expand at the Davie location.

The opportunity to not only keep Andrx at the Davie location but to add 175 jobs over three years and to add \$38.5 million in renovations to the site is an economic winner for the Town of Davie and the CRA as well as being consistent with objectives of the CRA. The proposed expansion will add employment opportunities and increase the value of real property. Objective B-3 of the CRA redevelopment plan is to strive to increase the overall level of economic activity within the community redevelopment area. Policies are elaborated to increase employment opportunities and for the CRA to initiate programs and projects which focus on business development and act as catalysts to leverage additional investment by private enterprise. The total investment requested from the CRA is \$455,000 for both programs and is payable over an extended period of six years. The tax increment taxes received from Andrx exceeds the total requested each and every year presently. The amount of real estate tax is shown in the QTI application indicates the amount is expected to grow to \$680,000 per year by 2007.

It is recommended that the Town Council adopt the three resolutions which support the expansion of the Andrx facility at 4955 Orange Drive. Keeping and expanding this facility and the accompanying jobs is an asset to the entire region. The actions provide increased employment opportunities not to mention keeping the existing jobs, and provide increased income to the CRA and eventually to the Town in an amount much greater than the total of the incentives.

PREVIOUS ACTIONS: Resolution R-2004-84 adopted April 21, 2004 by Town Council in general support of the expansion and future QTI application.

CONCURRENCES: CRA Resolutions R-2004-1, R-2004-2, R-2004-3, and R-2004-4 adopted May 12, 2004.

FISCAL IMPACT: Has request been budgeted?

The incentives are paid in future years beginning in FY 2006.

If yes, expected cost: \$455,000 over six years to be paid by Davie CRA. \$105,000 for QTI Program and \$350,000 for job incentives.

RECOMMENDATION(S): The recommendation is to approve the resolution.

Attachment(s): Resolution
Resolution R-2004-84
CRA Resolutions R-2004-1, R-2004-2, R-2004-3, and R-2004-4
QTI Analysis & Application
The above documents are also the backup for the other two proposed resolutions.

RESOLUTION _____

A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA RATIFYING THE RESOLUTION OF THE DAVIE COMMUNITY REDEVELOPMENT AGENCY PROVIDING FOR A DIRECT CASH JOB CREATION INCENTIVE AS AN ECONOMIC DEVELOPMENT INCENTIVE FOR THE EXPANSION OF THE ANDRX CORPORATION'S MANUFACTURING FACILITY AT 4955 ORANGE DRIVE, DAVIE, FLORIDA.

WHEREAS, the Davie Community Redevelopment Agency has adopted a Redevelopment Plan which includes an objective to increase the overall economic activity within the community redevelopment area with a policy of helping achieve that objective to increase employment activities and initiation of programs to act as catalysts to leverage additional investment by private enterprise; and

WHEREAS, a direct cash job creation incentive program has been created by the CRA for the purpose of providing economic incentives for companies to expand their facilities within the community redevelopment area of Davie; and

WHEREAS, the Town of Davie desires to assist Andrx Corporation in its desire to stay and expand its manufacturing facility at 4955 Orange Drive in Davie as stated by Resolution R-2004-84 adopted April 21, 2004; and

WHEREAS, the CRA adopted Resolution R-2004-4 at the May 12, 2004 meeting approving expenditures up to \$350,000 to be paid over a six year period beginning in 2006 as an incentive for creating 175 jobs at an average salary of not less than \$40,000 at this location; and

WHEREAS, the estimated ad valorem property tax payments due to the proposed expansion will provide a net positive return of at least fifty (50) percent to the Davie CRA as well as additional benefits both direct and indirect such as increased employment opportunities.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA.

SECTION 1. The Town Council hereby ratifies Resolution R-2004-4 of the Davie Community Redevelopment Agency authorizing a direct cash incentive to be paid to Andrx Corporation in the total amount of \$350,000 to be paid over a six year period beginning in 2006. This amount shall be paid based on 50 new jobs being

created by December of 2005, 50 additional jobs created by December of 2006, and 75 additional jobs created by December of 2007. The payouts required would begin after the jobs have been created and verified by the CRA as additional employees at an average salary of not less than \$40,000. The payouts are as follow for the six years based on the job creation schedule as described above: Year 1- \$25,000; Year 2-\$50,000; Year 3-\$87,500; Year 4-\$87,500; Year 5-\$62,500; and Year 6-\$37,500.

SECTION 2. The appropriate CRA officials are authorized to do all things necessary to effectuate the execution of an agreement which will be reviewed and approved by the CRA per the terms listed above.

SECTION 3. This resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED THIS _____ DAY OF _____, 2004.

MAYOR/COUNCILMEMBER

Attest:

Town Clerk

APPROVED THIS _____ DAY OF _____, 2004